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Rise in sales tax collections signals recovering economy

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Sales tax collections across Northeast Ohio suggest the region is beginning to enjoy the first sustainable signs of economic recovery.

The taxes offer a picture of the region's growth in a way few economic indicators can. They tell us how much money is being spent on everything from televisions and iPods to clothing and new cars. And the latest reports show an improving economy across the region:

■ For the past 22 months in Cuyahoga and Lake counties, sales tax collections were higher than they were the same month a year earlier, according to records from the Ohio Department of Taxation. Gains in Medina and Portage counties have taken place for all but one of the last 22 months.

■ In Summit County, tax collections were up in 20 out of the last 22 months.

■ In Geauga County, collections have dropped in only five of the last 22 months.

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The picture is less clear in Lorain County because of changes in the sales tax rate in recent years. But collections have been down slightly in two of the past five months.

"We have reason to be optimistic," said Wade Steen, Cuyahoga County's fiscal officer. "Sales tax collections are a very good indicator."

For the counties that have seen continuous growth in tax collections, the trend is encouraging, especially in the face of years of struggle. But researchers say the pace of that recovery needs to quicken.

"The ongoing economic recovery is very welcome, but its pace is agonizingly slow and is far below the vigorous recovery that is needed in both the Ohio and Cuyahoga County labor markets," said George Zeller, an economic research analyst, who put out a report this week on sales tax collections in Cuyahoga County.

The sales taxes the counties receive is only a small portion of that paid at the register. Most of the money is kept at the

Increased tax collections signal economy in early stages of recovery

Sales tax collections have increased in each of the last 22 months in Cuyahoga County, in comparison to the same month a year earlier. Researchers say the jump in collections is a clear indication that the county is in the beginning stages of economic recovery, but they also say the recovery needs to quicken its pace because of the damage of the 2000s.

	Month	Change up from previous year		Month	Change up from previous year
2010	April	10.4%	2011	March	8.5%
2010	May	2.3%	2011	April	12.3%
2010	June	9.1%	2011	May	1.0%
2010	July	10.9%	2011	June	8.5%
2010	Aug.	10.5%	2011	July	11.2%
2010	Sept.	8.2%	2011	Aug.	5.1%
2010	Oct.	14.5%	2011	Sept.	4.4%
2010	Nov.	2.3%	2011	Oct.	6.7%
2010	Dec.	4.7%	2011	Nov.	7.4%
2011	Jan.	5.8%	2011	Dec.	5.3%
2011	Feb.	1.9%	2012	Jan.	5.5%

SOURCE: Ohio Department of Taxation

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For example, purchases in Cuyahoga County are taxed at a rate of 7.75 percent. This is a combination of a 1.25 percent county sales tax, a 1 percent tax for the RTA and a 5.5 percent tax for the state. That's the reason the rates vary by county.

This month, the state distributed \$23.3 million to Cuyahoga

county purchases, the most recent month for which the data are available. That's an increase of \$1.2 million over the previous year, or a 5.5 percent jump — much of which stems from holiday shopping.

Steen, the Cuyahoga County fiscal officer, said he estimates sales tax collections generally

To see nearly twice that amount is more than encouraging.

He said he realizes that many people are struggling to find work, but he said the construction jolt downtown and an increase in sales tax collections bodes well for the county.

"If we can hold on to this, we'll be in pretty good shape," Steen said of tax collections.

Robert Antall of Consumer Centric Consulting LLC in Shaker Heights is a retail consultant. He said the growth in sales taxes mirrors a nationwide trend in retail growth.

"No question about it," Antall said. "People are spending more money. Slowly, confidence is coming back. If you track retail sales across the country, it is clear that those numbers are increasing."

Zeller, the economic researcher, said one of the biggest boosts to the sales tax collections has been the jump in car sales.

Last year, car makers sold about 13 million vehicles nationwide. This year, estimates indicate sales could reach 15 million.

"Every county has suffered, but the question is how fast will they recover," Zeller said.

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